

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Competitive Product Prices
Priority Mail Express & Priority Mail Contract 13
(MC2013-34)
Negotiated Service Agreement

Docket No. CP2013-45

PUBLIC REPRESENTATIVE COMMENTS ON
POSTAL SERVICE NOTIFICATION OF AMENDMENT OF
PRIORITY MAIL EXPRESS & PRIORITY MAIL CONTRACT 13

(June 27, 2014)

The Public Representative hereby provides comments pursuant to Order No. 2099.¹ In that Order, the Commission established the above referenced docket to receive comments from interested persons, including the undersigned Public Representative, on a Postal Service Notice of Change in Prices Pursuant to Amendment to Priority Mail Express & Priority Mail Contract 13.² The Postal Service's Notice includes a redacted copy of the Amendment and a certification of compliance with 39 U.S.C. § 3633(a), as required by 39 CFR 3015.5 as well as supporting financial analyses under seal.

The Amendment changes the rates for Priority Mail Express and Priority Mail pieces sent under the negotiated service agreement. It also extends the term of the negotiated service agreement from five years to seven years.³

¹ Notice and Order Concerning Amendment to Priority Mail Express & Priority Mail Contract 13, June 23, 2013 (Order No.2099).

² Notice of the United States Postal Service of Change in Prices Pursuant to Amendment of Priority Mail Express & Priority Mail Contract 13, June 19, 2014 (Notice).

³ Order 2099 at 2, Postal Service Notice at 1.

The Postal Service intends for the amendment to become effective one business day after the date the commission completes its review of the Notice.⁴ In addition, the Postal Service asserts that the Amendment will not impair the ability of the contract to comply with 39 U.S.C. § 3633.⁵

COMMENTS

The Public Representative has reviewed the instant contract amendment, the Statement of Supporting Justification, as well as the financial data and model filed under seal that accompanies the Postal Service's Notice. Based on the financial workpapers filed by the Postal Service, it appears that the contract as amended, in its first year should generate sufficient revenues to cover costs and thereby satisfy the requirements of 39 U.S.C. § 3633(a).

Requirements of 39 U.S.C. § 3633. Pursuant to 39 U.S.C. § 3633(a), the Postal Service's rates for competitive products must not result in the subsidization of competitive products by market dominant products; ensure that each competitive product will cover its attributable costs; and, ensure that all competitive products collectively contribute an appropriate share of the institutional costs of the Postal Service. Based upon a review of the financial model filed under seal with the Postal Service's Request, the Public Representative finds that the instant contract, as amended, should generate sufficient revenues to cover costs during its first year.

However, the Postal Service provides no data to demonstrate that the instant contract, as amended, will comply with the requirements of 39 U.S.C. § 3633(a) in subsequent years. The contract contains a provision for an annual adjustment of prices.⁶ The Public Representative confirms that based on the review of the financial data the instant contract satisfies the requirements of 39 U.S.C. § 3633(a) during the first year. At the same time the Public Representative is mindful that the Postal Service will file cost, revenue and volume data in each year's Annual Compliance Report. That

⁴ Notice at 1.

⁵ Priority Mail Express & Priority Mail Contract 13 was added to the Competitive Product List in PRC Order No. 1647, Feb.4, 2013.

⁶ Amendment (under seal) at 3.

will aid the Commission in ensuring that Priority Mail Express & Priority Mail Contract 13 continues to comply with the requirements of 39 U.S.C. § 3633(a).

The Public Representative respectfully submits the foregoing comments for the Commission's consideration.

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